

**REPORT OF THE AUDIT OF THE
PULASKI COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES**

June 26, 2003



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C R I T L U A L L E N
A U D I T O R O F P U B L I C A C C O U N T S

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Darrell BeShears, Pulaski County Judge/Executive

Honorable Todd Wood, Pulaski County Sheriff

Members of the Pulaski County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler PSC, Certified Public Accountants, presents the Pulaski County Sheriff's Settlement - 2002 Taxes as of June 26, 2003.

We engaged Carpenter, Mountjoy & Bressler PSC to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler PSC evaluated the Pulaski County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
PULASKI COUNTY
SHERIFF'S SETTLEMENT - 2002 TAXES

June 26, 2003

Carpenter, Mountjoy & Bressler PSC has completed the audit of the Sheriff's Settlement - 2002 Taxes for Pulaski County Sheriff as of June 26, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$1,414,280 for the districts for 2002 taxes, retaining commissions of \$48,540 to operate the Sheriff's office. The Sheriff distributed taxes of \$1,356,665 to the districts for 2002 Taxes. Taxes of \$108 are due to the districts from the Sheriff and refunds of \$94 are due to the Sheriff from the taxing districts.

Report Comment:

- The Sheriff's Internal Control Structure Lacks A Proper Segregation Of Duties

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities or bonds.

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Carpenter, Mountjoy & Bressler

Certified Public Accountants and Consultants

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Independent Auditor's Report

We have audited the Pulaski County Sheriff's Settlement - 2002 Taxes as of June 26, 2003. This tax settlement is the responsibility of the Pulaski County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Pulaski County Sheriff's taxes charged, credited, and paid as of June 26, 2003, in conformity with the modified cash basis of accounting.

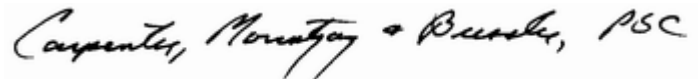
To the People of Kentucky
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Members of the Pulaski County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated December 15, 2003, on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Sheriff's Internal Control Structure Lacks A Proper Segregation Of Duties

Respectfully submitted,

A handwritten signature in cursive script that reads "Carpenter, Mountjoy & Bressler, PSC".

Carpenter, Mountjoy & Bressler PSC

Audit fieldwork completed -
December 15, 2003

PULASKI COUNTY
TODD WOOD, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2002 TAXES

June 26, 2003

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 146,621	\$ 142,097	\$ 729,046	\$ 410,141
Increases Through Exonerations	101	130	678	90
Omitted Taxes				
Franchise Corporation	25,658	31,056	140,682	
Transferred From Outgoing Sheriff - Unmined Coal	1	1	6	2
Transferred From Outgoing Sheriff - Limestone	71	79	477	171
Oil and Gas Property Taxes	29	32	197	71
Bank Franchises	49,896			
Penalties	7,589	8,405	43,759	20,282
	<u>7,589</u>	<u>8,405</u>	<u>43,759</u>	<u>20,282</u>
Gross Chargeable to Sheriff	<u>\$ 229,966</u>	<u>\$ 181,800</u>	<u>\$ 914,845</u>	<u>\$ 430,757</u>
<u>Credits</u>				
Exonerations	\$ 1,037	\$ 1,188	\$ 5,417	\$ 57,608
Discounts	2	2	10	4
Delinquents:				
Real Estate	22,315	24,706	134,836	53,795
Tangible Personal Property	2,354	3,031	3,491	9,482
Intangible Personal Property				5,344
Unpaid Solid Waste Assessments	18,466			
	<u>18,466</u>	<u></u>	<u></u>	<u></u>
Total Credits	<u>\$ 44,174</u>	<u>\$ 28,927</u>	<u>\$ 143,754</u>	<u>\$ 126,233</u>
Taxes Collected	\$ 185,792	\$ 152,873	\$ 771,091	\$ 304,524
Less: Commissions *	7,896	6,497	21,205	12,942
	<u>7,896</u>	<u>6,497</u>	<u>21,205</u>	<u>12,942</u>
Taxes Due	\$ 177,896	\$ 146,376	\$ 749,886	\$ 291,582
Taxes Paid	177,163	145,566	745,738	288,198
Credit For Commissions Per KRS 134.290				
Refunds (Current and Prior Year)	686	786	4,242	3,347
	<u>686</u>	<u>786</u>	<u>4,242</u>	<u>3,347</u>
Due Districts or (Refund(s) Due Sheriff)		**		
as of Completion of Fieldwork	<u>\$ 47</u>	<u>\$ 24</u>	<u>\$ (94)</u>	<u>\$ 37</u>

* and ** See Page 4

The accompanying notes are an integral part of this financial statement.

PULASKI COUNTY
TODD WOOD, SHERIFF
SHERIFF'S SETTLEMENT – 2002 TAXES
June 26, 2003
(Continued)

* Commissions:

4.25% on	\$	643,189
2.75% on	\$	771,091

** Special Taxing Districts:

Library District	\$	3
Health District		11
Extension District		<u>10</u>
Due Districts or (Refund Due Sheriff)	\$	<u><u>24</u></u>

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENT

June 26, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 26, 2003 the Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the Sheriff's agent in the Sheriff's name, or provided surety bond which named the Sheriff as beneficiary/obligee on the bond.

PULASKI COUNTY
NOTES TO FINANCIAL STATEMENT
June 26, 2003
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2002. Property taxes were billed to finance governmental services for the year ended June 30, 2003. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 22, 2003 through June 26, 2003.

B. Unmined Coal Taxes

The tangible property tax assessments were levied as of January 1, 2002. Property taxes are billed to finance governmental services. Liens are effective when the tax bills become delinquent. The collection period for these assessments was January 22, 2003 through June 26, 2003.

Note 4. Interest Income

The Pulaski County Sheriff earned \$737 as interest income on 2002 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of June 26, 2003, the Sheriff is owed a refund of \$121 in interest from the common school district and owes \$177 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Pulaski County Sheriff collected \$59,057 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office. As of June 26, 2003, the Sheriff owes \$14 in overpaid 10% add-on fees to his tax account.

Note 6. Advertising Costs And Fees

The Pulaski County Sheriff collected \$3,388 of advertising costs and \$7,640 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff distributed the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office. As of June 26, 2003, the Sheriff owes \$4 in advertising costs to the county and \$10 in advertising fees to his fee account.

Note 7. Unrefundable Duplicate Payments And Unexplained Receipts Should Be Escrowed

The Sheriff should deposit any unrefundable duplicate payments and unexplained receipts in an interest-bearing account. According to KRS 393.110, the Sheriff should properly report annually to the Treasury Department any unclaimed moneys. After seven years, if the funds have not been claimed, the funds should be submitted to the Kentucky State Treasurer. For the 2002 taxes, the Sheriff had \$975 in unrefundable duplicate payments and unexplained receipts. Therefore, the Sheriff should send a written report to the Treasury Department.

COMMENT AND RECOMMENDATION

PULASKI COUNTY
TODD WOOD, COUNTY SHERIFF
COMMENT AND RECOMMENDATION

As of June 26, 2003

STATE LAWS AND REGULATIONS:

None.

INTERNAL CONTROL - REPORTABLE CONDITIONS AND MATERIAL WEAKNESSES:

The Sheriff's Internal Control Structure Lacks A Proper Segregation Of Duties

We noted a lack of an adequate segregation of duties for the internal control structure and its operation that, in our judgement, is a reportable condition under standards established by the American Institute of Certified Public Accountants. Due to the entity's diversity of official operations, small staff size, and budget restrictions, the official has limited options for establishing an adequate segregation of duties.

We have judged the lack of an adequate segregation of duties as a reportable condition and a material weakness. We recommend that the Sheriff implement compensating controls for the lack of adequate segregation of duties.

Sheriff's Response:

No response noted.

PRIOR YEAR:

None

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Certified Public Accountants and Consultants

The Honorable Darrell BeShears, Pulaski County Judge/Executive
Honorable Todd Wood, Pulaski County Sheriff
Members of the Pulaski County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Pulaski County Sheriff's Settlement - 2002 Taxes as of June 26, 2003, and have issued our report thereon dated December 15, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Pulaski County Sheriff's Settlement - 2002 Taxes as of June 26, 2003 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Pulaski County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. A reportable condition is described in the accompanying comment and recommendation.

- The Sheriff's Internal Control Structure Lacks A Proper Segregation Of Duties

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

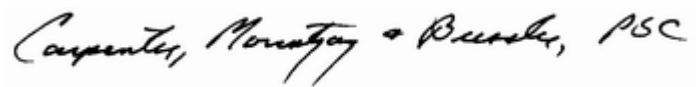
Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the following to be a material weakness.

- The Sheriff's Internal Control Structure Lacks A Proper Segregation Of Duties

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler PSC

Audit fieldwork completed -
December 15, 2003

